105-04323/

Report of Management

The financial statements of Power Greenhouses Inc. (SaskPower Shand Greenhouse) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 13, 2005.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board of Directors reviews audit, internal control and financial reporting matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been approved by the Board of Directors. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

The financial statements have been examined by Matchett, Potts & Seipp, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of Management,

Marty Lelliott
Manager
January 13, 2005

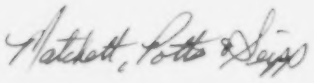
Auditors' Report

To the Shareholder of Power Greenhouses Inc.

We have audited the statement of financial position of Power Greenhouses Inc. as at December 31, 2004, and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Estevan, Saskatchewan
January 13, 2005

Statement of Income and Retained Earnings

For the year ended December 31	2004	2003
Revenue		
Contract revenue earned (Note 6)	**$ 826,627**	$ 774,808
Expense		
Operating, maintenance and administration (Note 7)	**681,817**	632,237
Depreciation	**144,810**	142,571
Total expense	**826,627**	774,808
Net income	**–**	–
Retained earnings, beginning of year	**–**	–
Retained earnings, end of year	**$ –**	$ –

See accompanying notes

Statement of Financial Position

As at December 31	2004	2003
Assets		
Current assets		
Cash	$ 22,719	$ 23,142
Inventory	25,095	25,302
	47,814	48,444
Property, plant and equipment (Note 3)		
Property, plant and equipment	5,273,986	5,058,408
Less: Accumulated depreciation	1,471,886	1,327,076
	3,802,100	3,731,332
Total assets	$ 3,849,914	$ 3,779,776
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 70,595	$ 57,616
Due to SaskPower (Note 4)	3,779,309	3,722,150
Total liabilities	3,849,904	3,779,766
Equity		
Share capital (Note 5)	10	10
Retained earnings	–	–
Total equity	10	10
Total liabilities and equity	$ 3,849,914	$ 3,779,776

See accompanying notes

On behalf of the Board:

D. Packet
Director

Kevin Scobie
Director

Statement of Cash Flows

For the year ended December 31	2004	2003
Operating activities		
Net income	$ –	$ –
Add item not involving cash:		
Depreciation	144,810	142,571
Net change in non-cash working capital:		
Inventory	207	(7,974)
Accounts payable and accrued liabilities	12,979	22,609
	13,186	14,635
Cash provided by operating activities	157,996	157,206
Investing activities		
Property, plant and equipment	(215,578)	(66,403)
Cash used in investing activities	(215,578)	(66,403)
Financing activities		
Increase (decrease) due to SaskPower	57,159	(90,517)
Cash provided (used in) financing activities	57,159	(90,517)
(Decrease) increase in cash	(423)	286
Cash, beginning of year	23,142	22,856
Cash, end of year	$ 22,719	$ 23,142

Notes to the Financial Statements
As at December 31, 2004

1. Status of the Corporation

Power Greenhouses Inc. (the "Corporation"), a wholly-owned subsidiary of Saskatchewan Power Corporation ("SaskPower"), was incorporated pursuant to *The Business Corporations Act (Saskatchewan)*. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower.

The mandate of the Corporation is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The Corporation entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred. As a subsidiary of a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of Estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual results reported in future periods.

(b) Inventory

Inventory is valued at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis.

(c) Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation is calculated on a straight-line basis, at average rates calculated to amortize the cost of the property, plant and equipment to their estimated salvage value as set out below:

Buildings	2.5%
Equipment and furniture	14.0%

(d) Revenue Recognition

Contract revenue earned is based on total expenses incurred during the year.

3. Property, Plant and Equipment

	2004			2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Buildings	$ 4,919,394	$ 1,268,226	$ 3,651,168	$ 3,570,657
Equipment and furniture	354,592	203,660	150,932	160,675
	$ 5,273,986	$ 1,471,886	$ 3,802,100	$ 3,731,332

4. Due to SaskPower

	2004	2003
Total advances	$ 10,760,587	$ 9,876,801
Less: total expenses incurred	(6,981,278)	(6,154,651)
	$ 3,779,309	$ 3,722,150

Amount owing to SaskPower is not secured, non-interest bearing with no fixed terms of repayment.

5. Share Capital

	#	2004	2003
Authorized			
Unlimited Class A non-cumulative, voting common shares			
Issued			
Class A			
Issued and outstanding, beginning of year	10	$ 10	$ 10
Issued during the year for cash	–	–	–
Issued and outstanding, end of year	10	$ 10	$ 10

All shares are held by the parent corporation, SaskPower.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The Corporation entered into an agreement with SaskPower, its parent, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred, which is reflected as contract revenue earned.

7. Operating, Maintenance and Administration

	2004	2003
Advertising and communication	$ 37,925	$ 42,245
Board indemnity	8,725	6,138
Contract labour	71,129	70,090
Materials and supplies	64,342	33,966
Miscellaneous	1,781	2,818
Office	11,395	11,586
Professional fees	4,491	4,559
Research	–	5,075
Shipping	3,707	6,252
Telephone	6,917	7,861
Travel and training	20,529	22,110
Vehicle and equipment costs	52,256	32,038
Wages and employee benefits	398,620	387,499
	$ 681,817	$ 632,237